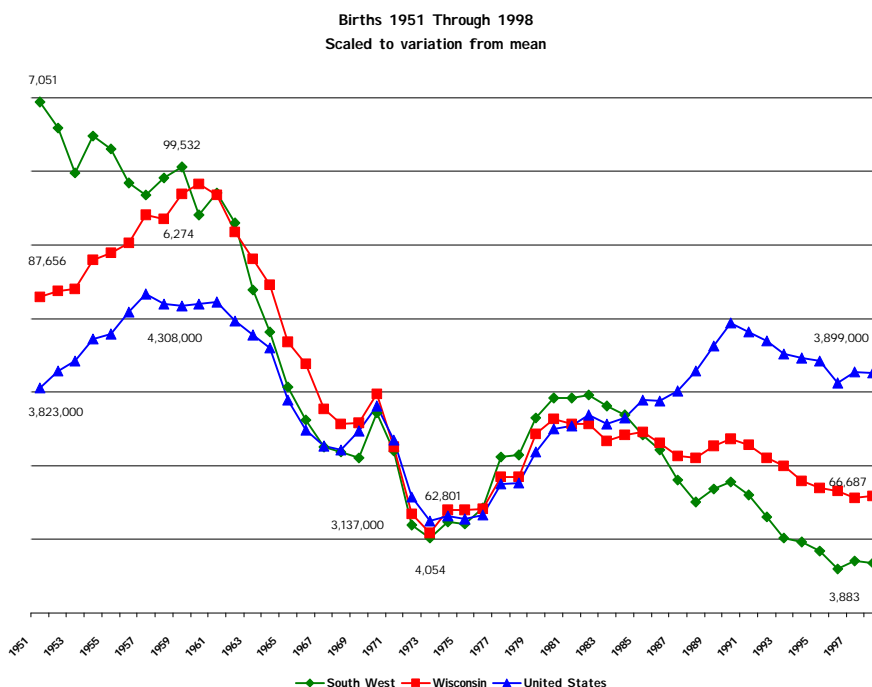


Southwest Wisconsin

I would like to start today with an introduction about why this economic development is such an important issue for the State in general and then get quickly into southwest Wisconsin, in particular.

- The state is losing young people particularly our college educated young people at an alarming rate.
- Wisconsin has one of the highest female labor force participation rates in the United States. While that is not a problem by itself, it comes with considerable cost in terms of families.
- Related to this high labor force participation rate for females, is an increasingly low birth total for the state.
- Wisconsin has a very high concentration of employment in manufacturing, which in and of itself is probably desirable, but it makes us very vulnerable in economic downturn cycles such as we are presently going through.
- Closely related is the fact that Wisconsin companies are often targets for takeover by other firms, particularly firms located outside of Wisconsin and often outside of the country. By itself, not much of a problem, but when those firms are considering downsizing, the Wisconsin operations are much more vulnerable than the home office sites.



- We have a very large Baby Boom age cohort that is fast approaching retirement age. The oldest of Baby Boomers is now 56 years old.

- Income levels for the state are not keeping up with national trends, but even more troubling, they are falling farther and farther behind our neighbor states of Minnesota and Illinois.

And, you maybe wondering

why we think a regional approach is so important to Wisconsin. The most important reason is that Wisconsin's population is extraordinarily dispersed throughout the State. Minnesota, for example, has five metro areas and or metro counties, where 69 percent of Minnesota's population lives. Wisconsin has fourteen metro areas or counties where 67 percent of our population lives. In Minnesota, however, 85 percent of the metro area population lives in the Twin Cities metro area. In Wisconsin, only 40 percent of our metro population lives in the Milwaukee/Waukesha metro area. In Illinois the concentration is even more pronounced. Eighty-five percent of Illinois' population lives in the nine metro areas of the state and 70 percent of those people live in the Chicago metro area.

So how about southwest Wisconsin?

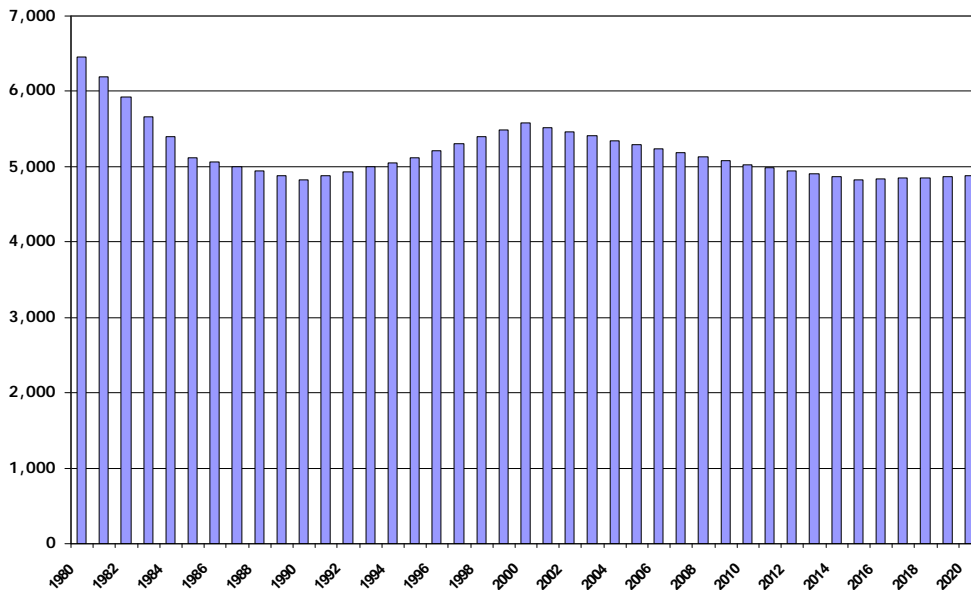
Southwest Wisconsin as we are calling this part of the state is not a specific entity. It is not even a loosely knit federation. It is most certainly not a bureaucratically designated zone. It is merely a geographic area of the state. Whether it contains this county or that county is of no great concern. What is of concern is that this area of the State of Wisconsin be given encouragement and support in its effort to grow and prosper. What I would like to share with you today is an outsider's view of your area. Again, I am not suggesting you all belong to each other. I am merely looking at a small "a" - area of the State of Wisconsin. Included in the data I'm looking at today are Buffalo, Crawford, Jackson, Grant, La Crosse, Lafayette, Monroe, Richland, Trempealeau, and Vernon Counties.

First, let me tell you some things about yourselves. There are about 332,000 people living in this ten county area. This is about 6.2 percent of the state's population of 5,363,675 as of 2000. It might interest you to know that five of the ten counties we're looking at today have actually experienced negative growth since 1900. And, while the state has increased by 159.2 percent since 1900, this area has increased by 32.9 percent. Since 1960 this area has done better, increasing by 20.9 percent while the state has increased by 35.7 percent.

In a state that is aging very rapidly, this area is also aging rapidly. The average age of the population in the southwest area of the state was 36.2 years in 1990. The state average age was 35.5. By 2000, the region had increased to 37.3 while the state increased to 36.8. By 2020, the southwest area will have an average age of 39.9. The state is expected to reach that same level by 2020. However, within the ten county area, five counties will be over 42.5 by 2020, and two will be over 41 years of age. If it were not for La Crosse County, with its very large college age population, the area would be aging very rapidly in deed.

The reason for this is the juncture of two or three closely related demographic developments. First, the area is experiencing a dramatic change in the number of births. This graphic says it better than I can. We're looking at the United States, Wisconsin, and the southwest area of Wisconsin. Notice in particular, the tremendous drop in births between 1951 and 1973 for southwestern Wisconsin. From 7051 to 4054, a drop of 2997, or 42.5 percent. For Wisconsin,

**Southwest Region
18 Years of Age
1980-2020**



Source: U.S. Bureau of Census and WI Dept of Administration Demographic Services

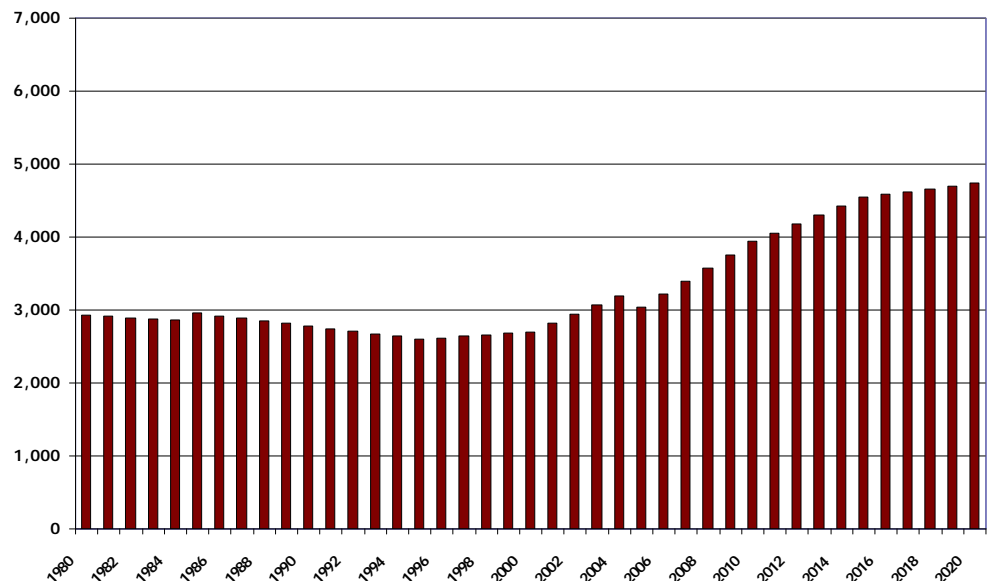
the drop was also very dramatic, from 87,656 to 62,801, a 28 percent decrease. The United States, which went from 3,823,000 to 3,137,000, was a much less dramatic 17.9 percent decrease. Even more telling, however, is the fact that southwest Wisconsin has continued its downward path - dropping another 171 births per year. Both the United States and Wisconsin have seen some increase from the 1973

trough.

What follows this reduction in births is a reduction in young people turning eighteen years old. Here is a graphic illustrating the number of young people turning eighteen. A considerable drop from 1980 to 1990, followed by an increase up to 1999, followed by a slow reduction through 2020. I think there is something misleading in this graph, and it is the fact that some of the eighteen year olds are here attending college and are not strong entrants into the labor market.

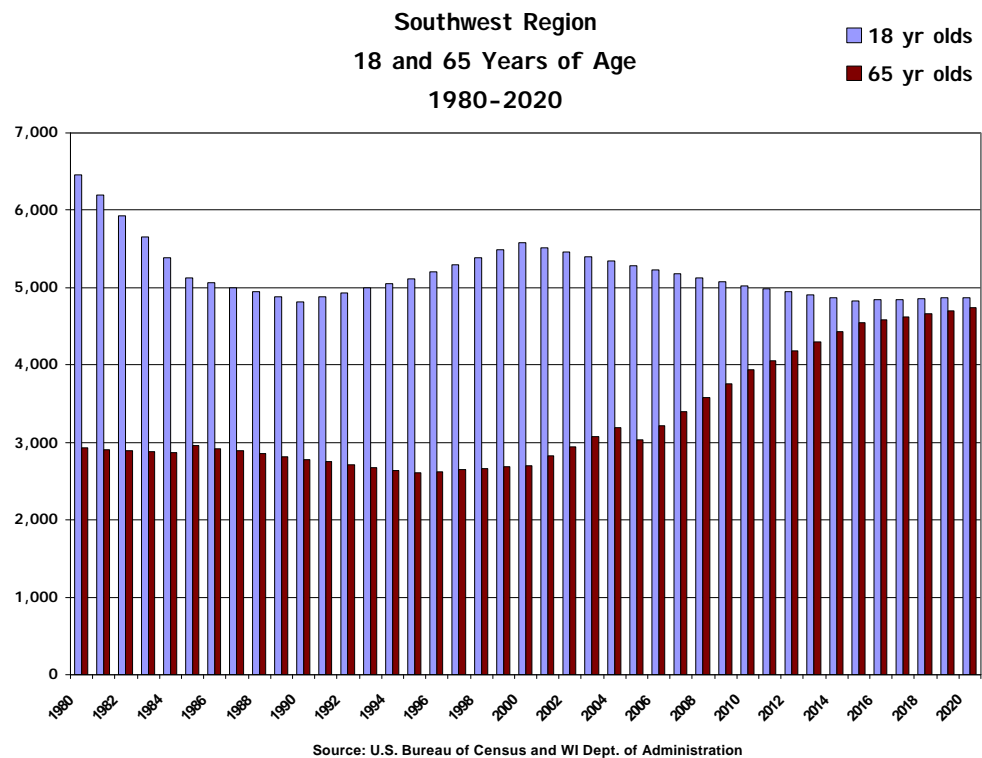
This next graph shows us the number of people in the southwestern portion of the State turning 65 years of age each year. The area does fine until the day after tomorrow. Then suddenly in 2002, the increase in the number of people turning 65 be-

**Southwest Region
65 Years of Age
1980-2020**



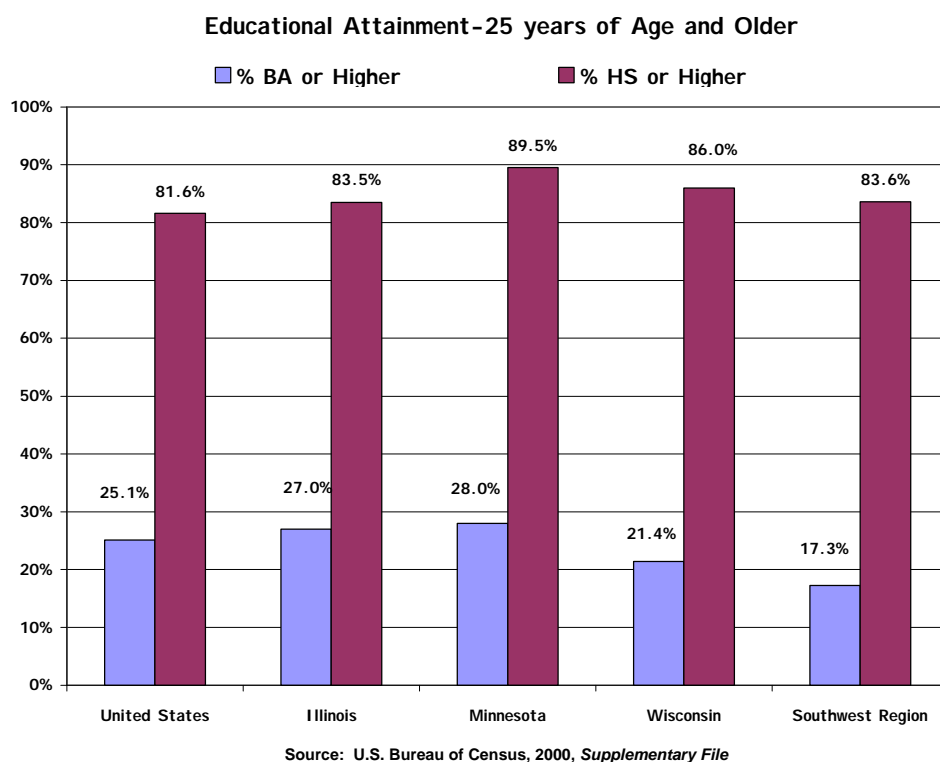
Source: U.S. Bureau of Census and WI Dept. of Administration

gins. Between 2001 and 2016 the number of people turning 65 in the area grows from about 2,700 to 4,600 each year. That means that in addition to new jobs that might open up from growth, there will be an additional 4,000 jobs each and every year the direct result of retirement. And by the way, if we don't have people trained to take the place of the retiring workers, the firms will move on to a place that does.



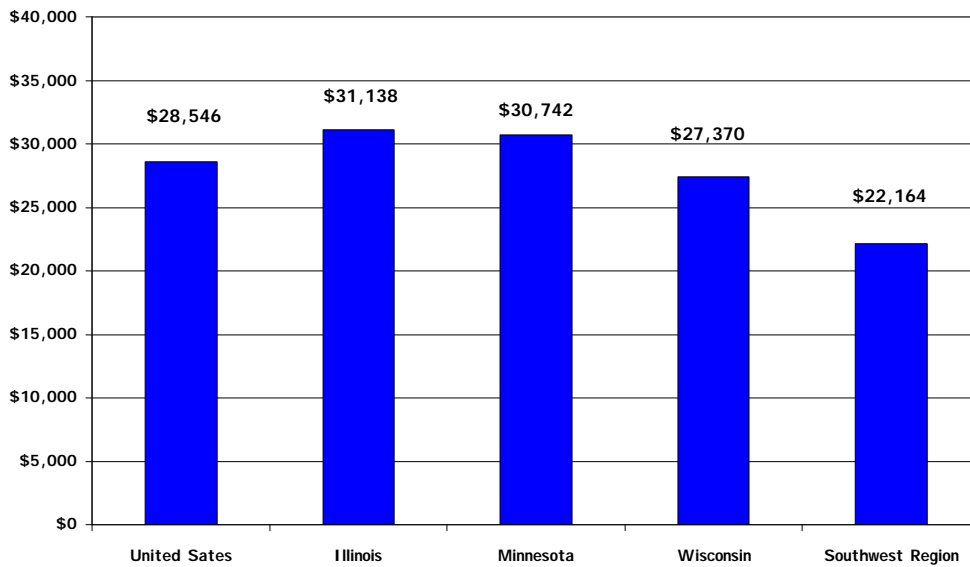
When we put these two graphs together they become more dramatic. We can see the squeeze really begins in about five years. And by the way, the southwest area doesn't look as bad in this demographic change as does the State of Wisconsin. However, that assumes we can capture these eighteen year olds for something beyond college. And so far, we

haven't been doing so well at that.



Here is a graph looking at the percentage of high school and then college graduates among 25 year old and older citizens for several geographic areas – the United States, Illinois, Minnesota, Wisconsin, and southwest Wisconsin. It is alarming that Wisconsin does so poorly at retaining college graduates, it is even

1999 Per Capita Income



Source: U.S. Dept. of Labor, Bureau of Economic Analysis

more alarming that we see the same thing occurring in southwest Wisconsin despite the fact that we have several colleges in the area, including two state universities.

The next few graphs look at some of the reasons we are seeing these demographic developments. First is a graph looking at per capita income for the United States, for Illinois, for Minnesota, for Wisconsin and again for southwest Wisconsin.

Wisconsin lags behind the United States, but falls far short of Illinois and Minnesota. Once again, southwest Wisconsin is far behind in all comparisons.

United States:

\$28,546 1.29

Illinois:

\$31,138 1.40

Minnesota:

\$30,742 1.39

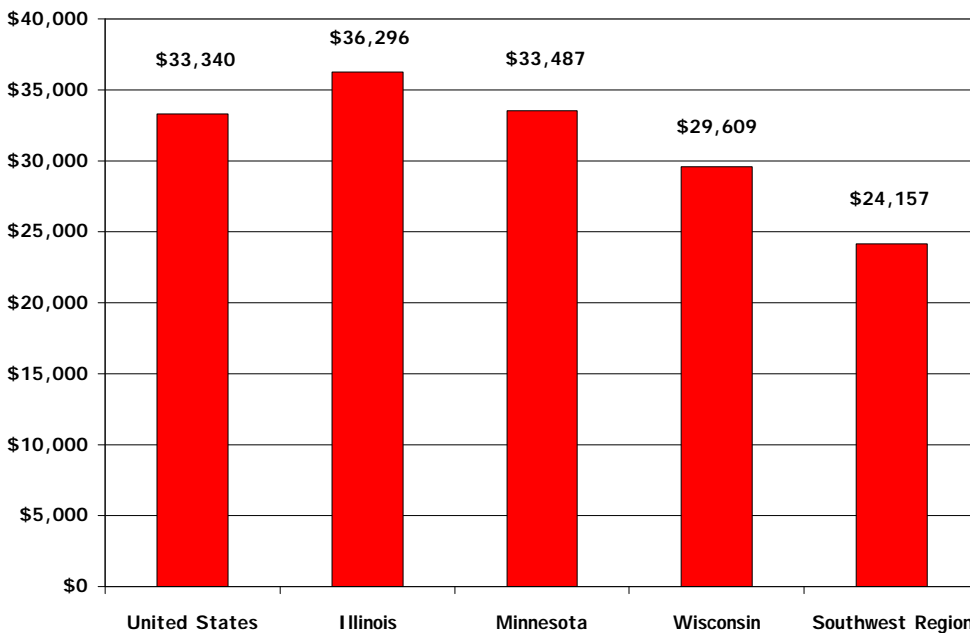
Wisconsin:

\$27,370 1.23

SW Wisconsin:

\$22,164 1.00

1999 Annual Average Wage Earned-All Industries



Source: Bureau of Labor Statistics, ES-202 Covered Employment and Wages, 1999

Put another way, for every dollar in income for citizens in the rest of Wisconsin, southwest Wisconsin residents have \$.81. Compared to Minnesota it's \$.72, Illinois \$.71 and the U.S. it's \$.77. And though many of us may reason that the cost of living is much higher in those other areas, that argument is a difficult sell to 22 year-old recent college graduates.

And, we see the same graphic when we look at average wages. By the way, the way Wisconsin residents catch up a little in income is by working more than one job.

Let's change gears here for just a moment and look at where we work. This graphic looks at where workers find their jobs. I want you to look at it a bit and then I'll make a couple of observations.

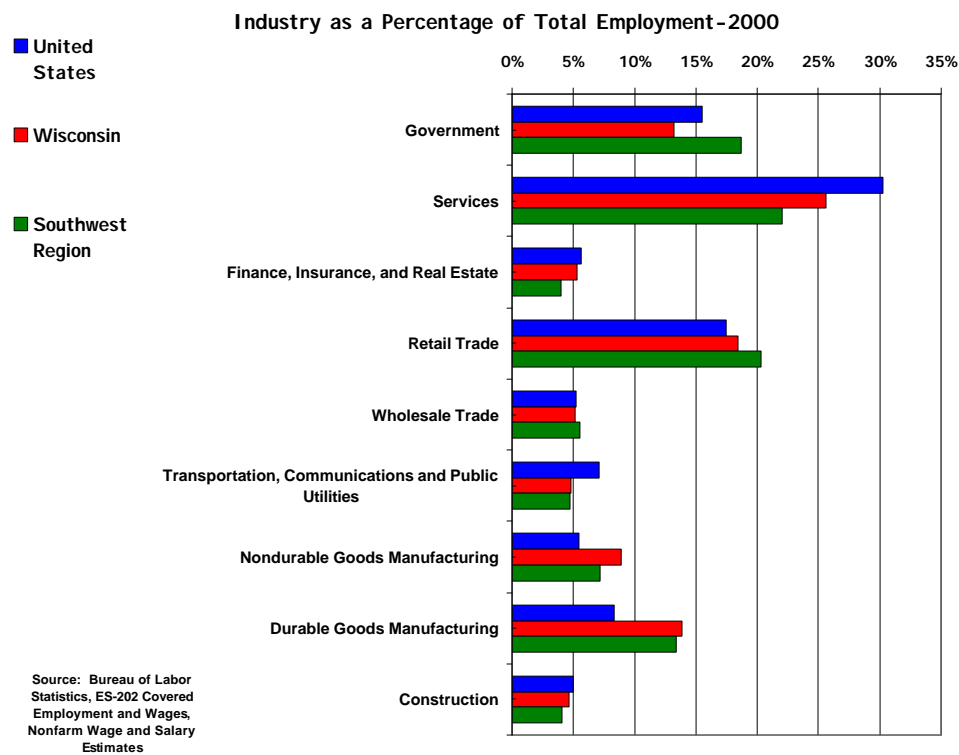
First, there is a very large portion of the jobs of southwestern Wisconsin in government. Many of these of course are in the State Universities in the area. Second, a great deal of retail trade in the area reflecting quite a bit of tourism, but even more reflecting the trade center – La Crosse for much of southeastern Minnesota and northeastern Iowa. Next, there is a great deal of manufacturing in the area. Construction is small as the result of fairly slow growth for the area.

Somewhat surprising is the lack of service sector jobs in southwestern Wisconsin. It is surprising in that the area should be experiencing considerable growth in health services related to an aging population. My hunch is that the clinics of Monroe, Rochester - Minnesota and Marshfield are pulling some of the health services away from the ten county area.

Also, transportation, communications and public utilities are fairly small in the area. Again, I suspect that this is due to the fact that utilities are being provided by large utility firms located outside of the area.

Finally, there are two graphs looking first at the number of jobs to population ratio for southwest Wisconsin, for Wisconsin, and for the United States. During the 1990s, the area

made considerable progress in the number of jobs. In 1990, you lagged considerably behind Wisconsin and even the U.S. The gap, however, was narrowed during the past decade. Bear in mind that the jobs/population ratio is partly a function of the availability of workers and is closely associated with the ratio of working age population to the total population.



And, the second graph looks at the percentage of the total population employed. Although the area lags in jobs, or has lagged in jobs it has not lagged in employment to population. It points out that a fairly large number of residents of southwest Wisconsin are self-employed, particularly as farm operators.

####